Kelington Group

New India Win, Solid Visibility

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KGB has further strengthened its presence in India via a turnkey gas distribution system contract for a semiconductor wafer fab in Gujarat worth USD105.0m (c.RM413.7m). Excluding a further USD17.0m in LOIs for scope expansion, total confirmed wins for the project has been lifted to USD115.4m (c.RM455.0m). KGB's RM1.4b outstanding orderbook as at end-2025 is thus bolstered by YTD contract wins of RM555m, cementing strong earnings visibility over the next few years. The latest wins also keep the group on track towards management's FY26 new order win target of RM1.5b–RM2.0b, and also in line with our RM1.8b assumption. We therefore maintain our FY26F–FY27F earnings forecasts and keep our TP unchanged at RM6.15, based on 30x FY26F PER.

Further expanding its footprint in India. KGB has secured a USD105.0m (c.RM413.7m) Letter of Award to undertake a turnkey gas distribution system project for a semiconductor wafer fabrication facility in Gujarat, India. The contract, awarded by a leading semiconductor manufacturer in India, covers the delivery of a comprehensive gas distribution system, which forms a critical part of the fab's core infrastructure. This is because semiconductor manufacturing requires a stable and highly controlled supply of ultra-high purity gases to ensure process precision, production yield and operational reliability. The project will commence immediately and is expected to be completed by July 2028.

YTD contract wins have reached RM555m, marking a healthy start to FY26. In addition to the newly secured USD105.0m LOA, the group had earlier clinched a USD10.4m purchase order for gas purifiers for the same facility, bringing total confirmed wins for the India project to USD115.4m (c.RM455.0m). KGB has also secured three Letters of Intent worth USD17.0m (c.RM67.1m) for additional scope, which could further enlarge its participation once converted into firm contracts. Supported by its RM1.4b outstanding orderbook as at end-2025, the current order momentum continues to provide strong earnings visibility over the next few years.

Outlook. KGB has earlier guided for another strong year in FY26, with reported net profit targeted to grow at a double-digit pace, inclusive of FX and other adjustments. On the order win front, management is aiming to deliver another record year, with an indicative FY26 target of RM1.5b–RM2.0b, broadly in line with our RM1.8b assumption. Notably, management highlighted that its orderbook replenishment is not dependent on any single mega project, as the group has a healthy pipeline comprising multiple tenders worth RM4.6b in aggregate (as of end FY25) that could collectively drive total order wins.

Forecasts. We make no changes to our FY26F–FY27F earnings forecasts. Our gross profit and orderbook assumptions remain in line with management's guidance.

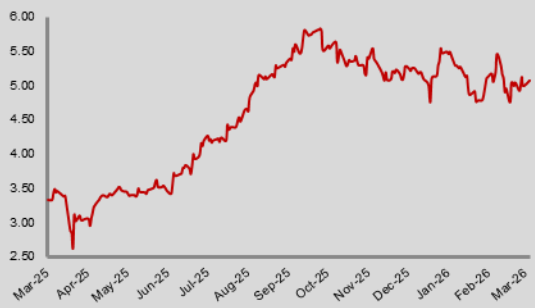
Valuations. Our TP which is maintained at RM6.15 is based on an unchanged targeted FY26F PER of 30x, in line with +1SD of KLTECH's 5-year forward PER. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We like KGB for: (i) it being a direct proxy to the front-end wafer fab expansion, (ii) strong earnings visibility supported by an outstanding order book exceeding RM1.4b and a robust tender book of over RM4b, (iii) its strong foothold in multiple markets, i.e. Malaysia, Singapore and China, and (iv) progressive margin expansion. Maintain OUTPERFORM.

OUTPERFORM ↔

Price : **RM5.08**
Target Price : **RM6.15** ↔

Share Price Performance



KLCI	1,708.76
YTD KLCI chg	1.7%
YTD stock price chg	-2.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KGRB MK EQUITY
Market Cap (RM m)	4,008.2
Shares Outstanding	789.0
52-week range (H)	5.86
52-week range (L)	2.59
3-mth avg. daily vol.	3,082,688
Free Float	73%
Beta	0.9

Major Shareholders

Palace Star	17.2%
Employees Provident	5.7%
Sun Lead Internation	5.0%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1,274	1,575	1,678
EBIT	191	241	257
PBT	190	240	257
Net Profit	151	186	199
Consensus	-	182	205
Earnings Revision (%)	-	-	-
EPS (sen)	20.3	20.5	21.9
EPS Growth (%)	10.1	1.0	6.8
NDPS (sen)	13.0	13.0	13.0
BV/Share (RM)	0.8	0.9	1.0
Core PER (x)	25.0	24.8	23.2
P/BV (x)	6.2	5.7	5.2
Gearing (x)	-0.3	-0.4	-0.5
Dvd Yield (%)	2.6%	2.6%	2.6%

Risks to our call include: **(i) a slowdown in wafer fab investment, (ii) worsening Sino-US chip war, and (iii) low utilisation of its LCO2 plants.**

Income Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	1,614	1,272	1,274	1,575	1,678
EBITDA	156	183	207	259	276
Dep & Amor	11	15	16	18	19
Operating Profit	145	168	191	241	257
Other Income	10	15	9	12	13
Interest Exp	-11	-9	-8	-11	-10
PBT	134	159	190	240	257
Taxation	-28	-32	-39	-54	-57
Minority Interest	-2	-2	-0	-0	-0
Net Profit	104	124	151	186	199
Core Net Profit	104	124	151	186	199

Balance Sheet

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	169	209	227	257	288
Intangible Assets	-	-	-	-	-
Other FA	15	14	16	16	16
Inventories	25	20	15	18	19
Receivables	437	341	468	579	617
Other CA	157	153	268	270	270
Cash	269	413	405	523	598
Total Assets	**1,073**	**1,150**	**1,401**	**1,663**	**1,809**
Payables	216	189	225	276	294
ST Borrowings	252	225	199	199	199
Other ST Liability	193	172	272	159	161
LT Borrowings	63	76	74	74	74
Other LT Liability	10	15	17	142	186
MI	6	0	0	0	1
Net Assets	**332**	**473**	**613**	**813**	**894**
Shr. Equity	74	184	266	397	397
Reserves	259	289	348	416	497
Total Equity	**332**	**473**	**613**	**813**	**894**

Cashflow Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	177	175	65	176	243
Investing CF	-68	-73	-84	-47	-50
Financing CF	-107	3	43	-11	-118

Financial Data & Ratios

FY Dec	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Turnover	26.2	-21.2	0.1	23.7	6.5
EBITDA	79.2	17.1	13.4	25.0	6.7
Operating Profit	81.5	15.8	13.8	26.3	6.6
PBT	80.0	18.6	19.7	26.4	6.8
Adj Net Profit	86.8	19.4	21.5	23.3	6.8
Profitability (%)					
EBITDA Margin	9.7	14.3	16.3	16.4	16.5
Operating Margin	9.0	13.2	15.0	15.3	15.3
PBT Margin	8.3	12.5	14.9	15.3	15.3
Core Net Margin	6.5	9.8	11.9	11.8	11.9
Effective Tax Rate	-20.8	-20.2	-20.4	-22.3	-22.3
ROA	9.7	10.8	10.8	11.2	11.0
ROE	30.8	26.3	24.6	22.9	22.3
DuPont Analysis					
Net Margin (%)	6.5%	9.8%	11.9%	11.8%	11.9%
Assets Turnover (x)	1.5x	1.1x	0.9x	0.9x	0.9x
Leverage Factor (x)	3.2x	2.4x	2.3x	2.0x	2.0x
ROE (%)	30.8	26.3	24.6	22.9	22.3
Leverage					
Debt/Asset (x)	0.2	0.2	0.1	0.1	0.1
Debt/Equity (x)	0.5	0.4	0.3	0.2	0.2
Net Cash/(Debt)	92	236	209	351	426
Net Debt/Equity (x)	-0.3	-0.5	-0.3	-0.4	-0.5
Valuations					
Core EPS (sen)	16.2	18.4	20.3	20.5	21.9
DPS (sen)	4.0	8.0	13.0	13.0	13.0
BVPS (RM)	0.52	0.70	0.82	0.89	0.98
PER (x)	31.4	27.6	25.0	24.8	23.2
Div. Yield (%)	0.8%	1.6%	2.6%	2.6%	2.6%
P/BV (x)	9.8	7.2	6.2	5.7	5.2
EV/EBITDA (x)	21.6	20.1	19.3	19.2	18.3

Source: Kenanga Research

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 24 Mar. (RM)	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net. Div. Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
D&O GREEN TECHNOLOGIES BHD	MP	0.495	0.470	-5.1%	613.5	Y	12/2026	2.1	2.3	132.7%	39.9%	23.3	21.7	0.9	3.8%	1.0	2.0%
INARI AMERTRON BHD	OP	1.33	2.05	54.1%	5,060.8	Y	06/2026	5.7	7.5	-14.6%	30.6%	23.1	17.7	1.8	7.2%	5.0	3.8%
KELINGTON GROUP BHD	OP	5.08	6.15	21.1%	4,008.2	Y	12/2026	20.5	21.9	23.4%	6.8%	24.8	23.2	5.7	26.1%	13.0	2.6%
LGMS BHD	OP	0.495	0.580	17.2%	225.7	Y	12/2026	2.9	3.6	30.4%	21.8%	17.0	13.9	1.7	10.5%	2.0	4.0%
M'SIAN PACIFIC INDUSTRIES BHD	MP	29.08	35.30	21.4%	5,798.5	Y	06/2026	104.4	120.3	35.2%	15.2%	27.8	24.2	2.6	9.7%	35.0	1.2%
NATIONGATE HOLDINGS BHD	MP	0.650	0.850	30.8%	1,470.7	Y	12/2026	4.7	5.7	7.8%	21.1%	13.8	11.4	1.4	10.2%	2.0	3.1%
OPPSTAR BHD	MP	0.210	0.280	33.3%	134.7	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	21.3	1.1	-8.0%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.14	1.40	22.8%	437.8	Y	12/2026	8.1	8.8	37.6%	8.0%	14.1	13.0	0.7	4.8%	0.0	0.0%
SKP RESOURCES BHD	MP	0.445	0.530	19.1%	695.3	Y	03/2026	5.7	4.4	-24.4%	-22.5%	7.9	10.1	0.6	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	2.70	2.22	-17.8%	4,355.3	Y	12/2026	7.6	9.2	94.1%	21.8%	35.7	29.3	2.0	5.8%	6.0	2.2%
UWC BHD	OP	4.06	4.38	7.9%	4,478.7	Y	07/2026	10.0	13.9	172.6%	38.8%	40.5	29.2	7.5	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.00	4.25	41.7%	2,134.0	Y	12/2026	12.1	13.1	39.0%	8.1%	24.8	22.9	2.5	10.4%	2.0	0.7%
INFOMINA BHD	OP	1.10	1.90	72.7%	661.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.5	14.5	3.3	18.3%	1.0	0.9%
Simple Average					30,074.6					22.7%	19.2%	24.6	20.7	2.4	10.0%		1.6%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Technology & Innovation	★	★	☆		
	Supply Chain Management	★	★	★	☆	
	Energy Efficiency	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Ethical Practices	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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